GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1843
ANSWERED ON:26.07.2002
DIVERSION OF FUNDS BY COMPANIES
DINESH CHANDRA YADAV;RAM JEEVAN SINGH

Will the Minister of FINANCE be pleased to state:

(a) whether certain companies have been siphoning funds received from the public sector financial institutions and diverting it to theiriu1listed projects;

(b) if so, the details thereof during the last three years;

(c) the estimated amount of funds diverted by these companies;

(d) the action taken by the Government in the matter; and

(e) the remedial steps taken by the Government to stop such practice in future?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRIANANT.G.GEETE)

(a): As per the information provided by the Financial` Institutions (FIs), some companies have diverted funds for the purposes other than those mentioned in the loan Agreement.

(b) & (c): In accordance with the practices and usages customary amongst banks and in conformity with the provisions of statutes governing public sector banks and financial institutions as also the provisions of Public Financial Institutions (Obligation As ToFidelity and Secrecy) Act, 1983, further details relating to individual constituents cannot be divulged.

(d) & (e): FIs/Banks are themselves competent to take action to protect their interests. It has been reported that Institutions have filed recovery suits against the companies. Institutions have issued guidelines for proper end-use of funds through a monitoring mechanism which are updated from time to time, whenever considered necessary.